

## SENATE BILL NO. 346

INTRODUCED BY K. TOOLE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY TAXES; RECLASSIFYING COMMERCIAL AND INDUSTRIAL PROPERTY FROM CLASS FOUR PROPERTY TO CLASS EIGHT PROPERTY; REMOVING THE CLASS EIGHT PROPERTY TAX PROVISION THAT WOULD HAVE PHASED OUT THE TAXATION OF CLASS EIGHT PROPERTY CONTINGENT ON A CERTAIN INCREASE IN STATE WAGES AND SALARIES; ALLOWING AN OWNER-OCCUPIED SINGLE-FAMILY RESIDENCE A PROPERTY TAX RELIEF CREDIT; AMENDING SECTIONS 7-13-2527, 15-1-112, 15-6-134, 15-6-138, 15-6-156, 15-6-201, 15-7-103, 15-7-111, 15-8-111, 15-8-301, 15-10-420, 15-24-2403, AND 15-24-3001, MCA, SECTION 27, CHAPTER 285, LAWS OF 1999, SECTION 31, CHAPTER 285, LAWS OF 1999, AND SECTION 5, CHAPTER 577, LAWS OF 2003; AND PROVIDING AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Residential property tax relief credit.** (1) The owner of an owner-occupied single-family residence in Montana is allowed a credit against the taxes imposed in 15-30-103 in an amount determined in this section.

(2) (a) The department shall determine the amount of property taxes levied in the base year under 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, and 20-25-439 against commercial land and improvements under 15-6-134 and personal property under 15-6-138. For each tax year, the base year is calendar year 2005.

(b) By September 1 of each year, the department shall determine the amount of property taxes levied in the current year under 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, and 20-25-439 against commercial land and improvements and personal property under 15-6-138.

(c) The department shall subtract the amount determined under subsection (2)(a) from the amount determined under subsection (2)(b). The result is the total amount available for the credit.

(d) The department shall divide the total amount available by the number of owner-occupied single-family residences. The result is the amount of the tax credit available for each owner-occupied single-family residence.

(3) The amount of the credit allowed under this section is the amount determined under subsection (2)(d), multiplied by the ratio that the taxpayer's Montana source income bears to the taxpayer's total income from all sources.

(4) (a) Only one tax credit may be claimed for each owner-occupied single-family residence.

(b) A return filed using the filing status married filing jointly is considered to have been filed by one taxpayer.

(5) If the amount of the credit determined under this section is more than the amount of tax owed under 15-30-103, the excess must be refunded to the taxpayer.

(6) If the total amount of the credits claimed in the tax year is less than the total amount available, the amount that is not claimed must be added to the total amount available under subsection (2)(c) in the next tax year.

**Section 2.** Section 7-13-2527, MCA, is amended to read:

**"7-13-2527. List of property owners.** (1) A copy of the order creating the district must be delivered to the department of revenue.

(2) The department shall, on or before August 1 of each year, prepare and certify a list of all persons owning ~~class four~~ property classified under 15-6-134 and 15-6-138(1)(o) through (1)(q) within the district and deliver a copy of the list to the board of trustees of the district."

**Section 3.** Section 15-1-112, MCA, is amended to read:

**"15-1-112. Business equipment tax rate reduction reimbursement to local government taxing jurisdictions.** (1) On or before January 1, 1996, for the reduction in payment under subsection (4) and by June 1 of 1996, 1997, and 1998 for all other reimbursements in this section, the department shall determine a reimbursement amount associated with reducing the tax rate in 15-6-138 and provide that information to each county treasurer. The reimbursement amount must be determined for each local government taxing jurisdiction that levied mills on the taxable value of property described in 15-6-138 in the corresponding tax year. However, the reimbursement does not apply to property described in 15-6-138 that has a reduced tax rate under 15-24-1402.

(2) (a) The reimbursement amount to be used as the basis for the payment reduction under subsection (4) is the product of multiplying the tax year 1995 taxable value of property described in 15-6-138 for each local

government taxing jurisdiction by the tax year 1995 mill levy for the jurisdiction and then multiplying by 1/9th.

(b) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1996 is the amount determined under subsection (2)(a) unless the tax year 1996 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1996 market value is greater than the tax year 1995 market value for a particular jurisdiction, then the reimbursement amount for tax year 1996 is the result of subtracting the simulated 1996 tax from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1995, by the tax year 1995 mill levy for the jurisdiction. The simulated 1996 tax for the particular jurisdiction is the actual tax year 1996 taxable value of property described in 15-6-138 multiplied by the tax year 1995 mill levy for the particular jurisdiction. If the simulated 1996 tax is greater than the 1995 tax, the reimbursement amount is zero.

(c) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1997 is the amount determined under subsection (2)(a) multiplied by two unless the tax year 1997 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1997 market value is greater than the tax year 1995 market value for a particular jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated 1997 tax from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1995, by the tax year 1995 mill levy for the jurisdiction. The simulated 1997 tax for the particular jurisdiction is the actual tax year 1997 taxable value of property described in 15-6-138 multiplied by the tax year 1995 mill levy for the particular jurisdiction. If the simulated 1997 tax is greater than the 1995 tax, the reimbursement amount is zero.

(d) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1998 is the amount determined under subsection (2)(a) multiplied by three unless the tax year 1998 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1998 market value is greater than the tax year 1995 market value for a particular jurisdiction, then the reimbursement amount for tax year 1998 is the result of subtracting the simulated 1998 tax from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual

1 taxable valuation of property described in 15-6-138, for tax year 1995, by the tax year 1995 mill levy for the  
2 jurisdiction. The simulated 1998 tax for the particular jurisdiction is the actual tax year 1998 taxable value of  
3 property described in 15-6-138 multiplied by the tax year 1995 mill levy for the particular jurisdiction. If the  
4 simulated 1998 tax is greater than the 1995 tax, the reimbursement amount is zero.

5 (3) (a) For purposes of this section, "local government taxing jurisdiction" means a local government  
6 rather than a state taxing jurisdiction that levied mills against property described in 15-6-138, including county  
7 governments, incorporated city and town governments, consolidated county and city governments, tax increment  
8 financing districts, local elementary and high school districts, local community college districts, miscellaneous  
9 districts, and special districts. The term includes countywide mills levied for equalization of school retirement or  
10 transportation.

11 (b) The term does not include county or state school equalization levies provided for in 20-9-331,  
12 20-9-333, 20-9-360, and 20-25-439.

13 (c) Each tax increment financing district must receive the benefit of the state mill on the incremental  
14 taxable value of the district.

15 (4) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360  
16 in June of 1996 by an amount equal to 38% of the reimbursement amount determined under subsection (2)(a)  
17 for all of the local government taxing jurisdictions in the county.

18 (5) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360  
19 in December of 1996 by an amount equal to 31% of the reimbursement amount for tax year 1996 for all of the  
20 local government taxing jurisdictions in the county, as determined by the department under subsection (2).

21 (6) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360  
22 in June of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1996 for all of the local  
23 government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for  
24 tax year 1997 for all of the local government taxing jurisdictions in the county, as determined by the department  
25 under subsection (2).

26 (7) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360  
27 in December of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the  
28 local government taxing jurisdictions in the county, as determined by the department under subsection (2).

29 (8) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360  
30 in June of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local

government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(9) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in December of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(10) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in June of 1999 by an amount equal to 69% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(11) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in December of the years 1999 through 2007 by an amount equal to 31% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(12) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in June of the years 2000 through 2008 by an amount equal to 69% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(13) (a) The reimbursement amount for tax year 1999 and each subsequent tax year for 9 years must be progressively reduced each year by 10% of the reimbursement amount for tax year 1998, according to the following schedule:

Tax Year	Percentage of 1998 Reimbursement Amount
1999	90
2000	80
2001	70
2002	60
2003	50
2004	40
2005	30
2006	20

1	2007	10
2	2008 and following years	0

3 (b) The reimbursement amount for each tax year must be the basis for reducing the amount remitted  
4 to the state for the levy imposed under 20-9-360 in December of the same year and June of the following year.

5 (14) The county treasurer shall use the funds from the reduced payment to the state for the levy imposed  
6 under 20-9-360 to reimburse each local government taxing jurisdiction in the amount determined by the  
7 department under subsection (2). The reimbursement must be distributed to funds within local government  
8 taxing jurisdictions in the same manner as taxes on personal property described in 15-6-138 are distributed. The  
9 reimbursement in June must be distributed based on the prior year's mill levy, and the reimbursement in  
10 December must be based on the current year's mill levy.

11 (15) Each local government taxing jurisdiction receiving reimbursements shall consider the amount of  
12 reimbursement that will be received and lower the mill levy otherwise necessary to fund the budget by the  
13 amount that would otherwise have to be raised by the mill levy.

14 (16) A local government taxing jurisdiction that ceases to exist after October 1, 1995, will no longer be  
15 considered for revenue loss or reimbursement purposes. A local government taxing jurisdiction that is created  
16 after January 1, 1996, will not be considered for revenue loss or reimbursement purposes. If a local government  
17 taxing jurisdiction that existed prior to January of 1996 is split between two or more taxing jurisdictions or is  
18 annexed to or is consolidated with another taxing jurisdiction, the department shall determine how much of the  
19 revenue loss and reimbursement is attributed to the new jurisdictions."  
20

21 **Section 4.** Section 15-6-134, MCA, is amended to read:

22 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

23 (a) subject to 15-6-201(1)(z) ~~and (1)(aa)~~ and ~~subsections~~ subsection (1)(f) ~~and (1)(g)~~ of this section,  
24 all land, except that specifically included in another class;

25 (b) subject to 15-6-201(1)(z) ~~and (1)(aa)~~ and ~~subsections~~ subsection (1)(f) ~~and (1)(g)~~ of this section,  
26 all improvements, including trailers, manufactured homes, or mobile homes used as a residence, except those  
27 specifically included in another class;

28 (c) the first \$100,000 or less of the taxable market value of any improvement on real property, including  
29 trailers, manufactured homes, or mobile homes, and appurtenant land not exceeding 5 acres owned or under  
30 contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any

person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than \$15,000 for a single person or \$20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 700 lineal yards;

(e) subject to 15-6-201(1)(z), all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(f) (i) single-family residences, including trailers, manufactured homes, or mobile homes;

(ii) rental multifamily dwelling units;

(iii) appurtenant improvements to the residences or dwelling units, including the parcels of land upon which the residences and dwelling units are located and any leasehold improvements; and

(iv) vacant residential lots; ~~and~~

~~(g) (i) commercial buildings and the parcels of land upon which they are situated; and~~

~~(ii) vacant commercial lots.~~

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402, 15-24-1501, and 15-24-1502, property described in subsections (1)(a), (1)(b), (1)(e), and (1)(f), ~~and (1)(g)~~ of this section is taxed at:

~~(i) 3.40% of its taxable market value in tax year 2003;~~

~~(ii) 3.3% of its taxable market value in tax year 2004;~~

~~(iii) 3.22% of its taxable market value in tax year 2005;~~

~~(iv)~~ (i) 3.14% of its taxable market value in tax year 2006;

~~(v)~~ (ii) 3.07% of its taxable market value in tax year 2007; and

~~(vi)~~ (iii) 3.01% of its taxable market value in tax years after 2007.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at the rate provided in subsection (2)(a) of its taxable market value multiplied by a percentage figure based on income and determined from the following table:

Income

Income

Percentage

1	Single Person	Married Couple	Multiplier
2		Head of Household	
3	\$0 - \$ 6,000	\$0 - \$8,000	20%
4	\$6,001 - \$9,200	\$8,001 - \$14,000	50%
5	\$9,201 - \$15,000	\$14,001 - \$20,000	70%

6 (ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually  
7 by the department. The adjustment to the income levels is determined by:

8 (A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE  
9 for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

10 (B) rounding the product thus obtained to the nearest whole dollar amount.

11 (iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly  
12 in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

13 (c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established  
14 in subsection (2)(a).

15 ~~(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as~~  
16 ~~commercial property is comparable only to other property assessed as commercial property and property~~  
17 ~~assessed as other than commercial property is comparable only to other property assessed as other than~~  
18 ~~commercial property."~~

19

20 **Section 5.** Section 15-6-138, MCA, is amended to read:

21 **"15-6-138. (Temporary) Class eight property -- description -- taxable percentage.** (1) Class eight  
22 property includes:

23 (a) all agricultural implements and equipment that are not exempt under 15-6-201(1)(bb);

24 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and  
25 supplies except those included in class five;

26 (c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage  
27 tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units,  
28 communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and  
29 similar equipment that is skidable, portable, or movable, tools that are not exempt under 15-6-201(1)(r), and  
30 supplies except those included in class five;



(d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors as provided in 15-6-201, and supplies except those included in class five;

(e) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class;

(f) special mobile equipment as defined in 61-1-104;

(g) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(h) x-ray and medical and dental equipment;

(i) citizens' band radios and mobile telephones;

(j) radio and television broadcasting and transmitting equipment;

(k) cable television systems;

(l) coal and ore haulers;

(m) theater projectors and sound equipment; and

(n) all other property that is not included in any other class in this part, except that property that is subject to a fee in lieu of a property tax;

(o) subject to 15-6-201(1)(aa) and subsection (1)(q) of this section, commercial land, except that specifically included in another class;

(p) subject to 15-6-201(1)(aa) and subsection (1)(q) of this section, commercial improvements except those specifically included in another class; and

(q) (i) commercial buildings and the parcels of land upon which they are situated; and

(ii) vacant commercial lots.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(4) ~~Class~~ Except as provided in 15-24-1402, 15-24-1501, and 15-24-1502, class eight property is taxed at ~~3%~~ 4% of its market value.

~~(5) (a) If, in any year beginning with tax year 2004, the percentage growth in inflation-adjusted Montana~~

1 wage and salary income is at least 2.85% from the year prior to the base year, then the tax rate for class eight  
2 property will be reduced by 1% each year until the tax rate reaches zero.

3 ~~—— (b) For each tax year, the base year is the year 3 years before the applicable tax year and the target~~  
4 ~~year is the year 2 years before the applicable tax year.~~

5 ~~—— (c) The department shall calculate the percentage growth in subsection (5)(a) by October 30 of each~~  
6 ~~target year by using the formula  $(W/CPI) - 1$ , where:~~

7 ~~—— (i) W is the Montana wage and salary income for the calendar base year divided by the Montana wage~~  
8 ~~and salary income for the calendar year prior to the base year; and~~

9 ~~—— (ii) CPI is the consumer price index for the calendar base year used in subsection (5)(c)(i) divided by~~  
10 ~~the consumer price index for the year prior to the most current calendar year prior to the base year used in~~  
11 ~~subsection (5)(c)(i).~~

12 ~~—— (d) For purposes of determining the percentage growth in subsection (5)(a), the department shall use~~  
13 ~~the bureau of economic analysis of the United States department of commerce Montana wage and salary~~  
14 ~~disbursements, fall SA07 (state annual) for the target year wage and salary data series.~~

15 ~~—— (e) Inflation must be measured by the consumer price index, U.S. city average, all urban consumers~~  
16 ~~(CPI-U), using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States~~  
17 ~~department of labor.~~

18 ~~(6)(5)~~ The class eight property of a person or business entity that owns an aggregate of \$5,000 \$20,000  
19 or less in market value of class eight property is exempt from taxation. ~~(Repealed on occurrence of~~  
20 ~~contingency--secs. 27(2), 31(4), Ch. 285, L. 1999.)"~~

21  
22 **Section 6.** Section 15-6-156, MCA, is amended to read:

23 **"15-6-156. Class thirteen property -- description -- taxable percentage.** (1) Except as provided in  
24 subsections (2)(a) through (2)(g), class thirteen property includes:

25 (a) electrical generation facilities of a centrally assessed electric power company;

26 (b) electrical generation facilities owned or operated by an exempt wholesale generator or an entity  
27 certified as an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act of  
28 1935, 15 U.S.C. 79z-5a;

29 (c) noncentrally assessed electrical generation facilities owned or operated by any electrical energy  
30 producer; and

(d) allocations of centrally assessed telecommunications services companies.

(2) Class thirteen property does not include:

(a) property owned by cooperative rural electric cooperative associations classified under 15-6-135;

(b) property owned by cooperative rural electric cooperative associations classified under 15-6-137;

(c) allocations of electric power company property under 15-6-141;

(d) electrical generation facilities included in another class of property;

(e) property owned by cooperative rural telephone associations and classified in class five;

(f) property owned by organizations providing telecommunications services and classified in class five;

and

(g) generation facilities that are exempt under 15-6-225.

(3) (a) For the purposes of this section, "electrical generation facilities" means any combination of a physically connected generator or generators, associated prime movers, and other associated property, including appurtenant land and improvements and personal property, that are normally operated together to produce electric power. The term includes but is not limited to generating facilities that produce electricity from coal-fired steam turbines, oil or gas turbines, or turbine generators that are driven by falling water.

(b) The term does not include electrical generation facilities used for noncommercial purposes or exclusively for agricultural purposes.

(c) The term also does not include a qualifying small power production facility, as that term is defined in 16 U.S.C. 796(17), that is owned and operated by a person not primarily engaged in the generation or sale of electricity other than electric power from a small power production facility and classified under ~~15-6-134~~ and 15-6-138.

(4) Class thirteen property is taxed at 6% of its market value."

**Section 7.** Section 15-6-201, MCA, is amended to read:

**"15-6-201. Exempt categories.** (1) The following categories of property are exempt from taxation:

(a) except as provided in 15-24-1203, the property of:

(i) the United States, except:

(A) if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or

(B) as provided in 15-24-1103;

1 (ii) the state, counties, cities, towns, and school districts;

2 (iii) irrigation districts organized under the laws of Montana and not operating for profit;

3 (iv) municipal corporations;

4 (v) public libraries; and

5 (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

6 (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church  
7 and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably  
8 necessary for convenient use of the buildings;

9 (c) property used exclusively for agricultural and horticultural societies, for educational purposes, and  
10 for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human  
11 services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department  
12 of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

13 (d) property that is:

14 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

15 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care  
16 and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

17 (iii) not maintained and operated for private or corporate profit;

18 (e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or  
19 local governmental entity by institutions of purely public charity if the property is directly used for purely public  
20 charitable purposes;

21 (f) evidence of debt secured by mortgages of record upon real or personal property in the state of  
22 Montana;

23 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or  
24 corporate profit;

25 (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing  
26 machines, and wearing apparel of members of the family, used by the owner for personal and domestic  
27 purposes or for furnishing or equipping the family residence;

28 (i) truck canopy covers or toppers and campers;

29 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

30 (k) motor homes;

1 (l) all watercraft;

2 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or  
3 nonprofit corporation organized to furnish potable water to its members or customers for uses other than the  
4 irrigation of agricultural land;

5 (n) the right of entry that is a property right reserved in land or received by mesne conveyance  
6 (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another  
7 to explore, prospect, or dig for oil, gas, coal, or minerals;

8 (o) (i) property that is owned and used by a corporation or association organized and operated  
9 exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with  
10 physical or mental impairments that constitute or result in substantial impediments to employment and that is  
11 not operated for gain or profit; and

12 (ii) property that is owned and used by an organization owning and operating facilities that are for the  
13 care of the retired, aged, or chronically ill and that are not operated for gain or profit;

14 (p) all farm buildings with a market value of less than \$500 and all agricultural implements and  
15 machinery with a market value of less than \$100;

16 (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training  
17 and practice for or competition in international sports and athletic events and that is not held or used for private  
18 or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization  
19 that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted  
20 under the Montana Nonprofit Corporation Act.

21 (r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily  
22 hand-held and that are used to:

23 (A) construct, repair, and maintain improvements to real property; or

24 (B) repair and maintain machinery, equipment, appliances, or other personal property;

25 (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,  
26 launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and  
27 launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and  
28 that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

29 (s) harness, saddlery, and other tack equipment;

30 (t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in

1 33-25-105;  
 2 (u) timber as defined in 15-44-102;  
 3 (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in  
 4 61-1-114, and travel trailers as defined in 61-1-131;  
 5 (w) all vehicles registered under 61-3-456;  
 6 (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,  
 7 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and  
 8 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection  
 9 (1)(x)(i);  
 10 (y) motorcycles and quadricycles;  
 11 (z) the following percentage of the market value of residential property described in 15-6-134(1)(e) and  
 12 (1)(f):  
 13 ~~(i) 31% for tax year 2003;~~  
 14 ~~—— (ii) 31.4% for tax year 2004;~~  
 15 ~~—— (iii) 32% for tax year 2005;~~  
 16 ~~(iv)(i)~~ 32.6% for tax year 2006;  
 17 ~~(v)(ii)~~ 33.2% for tax year 2007;  
 18 ~~(vi)(iii)~~ 34% for tax year 2008 and succeeding tax years;  
 19 (aa) the following percentage of the market value of commercial property as described in ~~15-6-134(1)(g)~~  
 20 15-6-138(1)(q):  
 21 ~~(i) 13% for tax year 2003;~~  
 22 ~~—— (ii) 13.3% for tax year 2004;~~  
 23 ~~—— (iii) 13.8% for tax year 2005;~~  
 24 ~~(iv)(i)~~ 14.2% for tax year 2006;  
 25 ~~(v)(ii)~~ 14.6% for tax year 2007;  
 26 ~~(vi)(iii)~~ 15% for tax year 2008 and succeeding tax years;  
 27 (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used  
 28 by an industrial dairy;  
 29 (cc) items of personal property intended for rent or lease in the ordinary course of business if each item  
 30 of personal property satisfies all of the following:

(i) the acquired cost of the personal property is less than \$15,000;

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;

(dd) all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from grain during the course of the construction of an ethanol manufacturing facility and for 10 years after completion of construction of the manufacturing facility; and

(ee) light vehicles as defined in 61-1-139; ~~and~~

~~(ff) the following property, except property included in 15-6-135, 15-6-137, 15-6-141, 15-6-145, and 15-6-156, if the tax rate in 15-6-138 reaches zero:~~

~~—— (i) all agricultural implements and equipment;~~

~~—— (ii) all mining machinery, fixtures, equipment, tools, and supplies;~~

~~—— (iii) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools, and supplies;~~

~~—— (iv) all manufacturing machinery, fixtures, equipment, tools, and supplies;~~

~~—— (v) all goods and equipment that are intended for rent or lease;~~

~~—— (vi) special mobile equipment as defined in 61-1-104;~~

~~—— (vii) furniture, fixtures, and equipment;~~

~~—— (viii) x-ray and medical and dental equipment;~~

~~—— (ix) citizens' band radios and mobile telephones;~~

~~—— (x) radio and television broadcasting and transmitting equipment;~~

~~—— (xi) cable television systems;~~

~~—— (xii) coal and ore haulers; and~~

~~—— (xiii) theater projectors and sound equipment.~~

(2) (a) For the purposes of subsection (1)(e):

(i) the term "institutions of purely public charity" includes any organization that meets the following requirements:

1 (A) The organization offers its charitable goods or services to persons without regard to race, religion,  
2 creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal  
3 Revenue Code, as amended.

4 (B) The organization accomplishes its activities through absolute gratuity or grants. However, the  
5 organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public  
6 performances or entertainment or by other similar types of fundraising activities.

7 (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used  
8 by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal  
9 Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually  
10 with the department a copy of its federal tax return reporting any unrelated business taxable income received  
11 by the charity during the tax year, together with a statement indicating whether the exempt property was used  
12 to generate any unrelated business taxable income.

13 (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and  
14 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold  
15 property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes  
16 all real and personal property reasonably necessary for use in connection with the public display or observatory  
17 use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual  
18 or for-profit organization, real and personal property owned by other persons is exempt if it is:

19 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;

20 (ii) held for future display; or

21 (iii) used to house or store a public display.

22 (3) For the purposes of subsection (1)(bb):

23 (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes  
24 the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products  
25 solely for export from the state, either directly by the dairy or after the milk or milk product has been further  
26 processed by an industrial milk processor. After export, any unprocessed milk must be further processed into  
27 other dairy products.

28 (b) "industrial milk processor" means a facility and integral machinery used solely to process milk into  
29 milk products for export from the state.

30 (4) The following portions of the appraised value of a capital investment in a recognized nonfossil form



1 of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt  
2 from taxation for a period of 10 years following installation of the property:

3 (a) \$20,000 in the case of a single-family residential dwelling;

4 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure."  
5

6 **Section 8.** Section 15-7-103, MCA, is amended to read:

7 **"15-7-103. Classification and appraisal -- general and uniform methods.** (1) It is the duty of the  
8 department of revenue to implement the provisions of 15-7-101 through 15-7-103 by providing:

9 (a) for a general and uniform method of classifying lands in the state for the purpose of securing an  
10 equitable and uniform basis of assessment of lands for taxation purposes;

11 (b) for a general and uniform method of appraising city and town lots;

12 (c) for a general and uniform method of appraising rural and urban improvements;

13 (d) for a general and uniform method of appraising timberlands.

14 (2) All lands must be classified according to their use or uses and graded within each class according  
15 to soil and productive capacity. In the classification work, use must be made of soil surveys and maps and all  
16 other pertinent available information.

17 (3) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the sections,  
18 fractional sections, or lots of all tracts of land that have been sectionized by the United States government, or  
19 by metes and bounds, whichever yields a true description of the land.

20 (4) All agricultural lands must be classified and appraised as agricultural lands without regard to the best  
21 and highest value use of adjacent or neighboring lands.

22 (5) In any periodic revaluation of taxable property completed under the provisions of 15-7-111, all  
23 property classified in 15-6-134 and 15-6-138(1)(o) through (1)(q) must be appraised on the taxable portion of  
24 its market value in the same year. The department shall publish a rule specifying the year used in the appraisal.

25 (6) All sewage disposal systems and domestic use water supply systems of all dwellings may not be  
26 appraised, assessed, and taxed separately from the land, house, or other improvements in which they are  
27 located. ~~In no event may the sewage disposal or domestic water supply systems be included twice by including~~  
28 ~~them in the valuation and assessing them separately."~~

29  
30 **Section 9.** Section 15-7-111, MCA, is amended to read:

1       **"15-7-111. Periodic revaluation of certain taxable property.** (1) The department shall administer and  
2 supervise a program for the revaluation of all taxable property ~~within classes three, four, and ten~~ classified in  
3 15-6-133, 15-6-134, 15-6-138(1)(o) through (1)(q), and 15-6-143. All other property must be revalued annually.

4       (2) The department shall value and phase in the value of newly constructed, remodeled, or reclassified  
5 property in a manner consistent with the valuation within the same class and the values established pursuant  
6 to subsection (1). The department shall adopt rules for determining the assessed valuation and phased-in value  
7 of new, remodeled, or reclassified property within the same class.

8       (3) The department of revenue shall administer and supervise a program for the revaluation of all  
9 taxable property ~~within classes three, four, and ten~~ classified in 15-6-133, 15-6-134, 15-6-138(1)(o) through  
10 (1)(q), and 15-6-143. A comprehensive written reappraisal plan must be promulgated by the department. The  
11 reappraisal plan adopted must provide that all ~~class three, four, and ten~~ property classified in 15-6-133,  
12 15-6-134, 15-6-138(1)(o) through (1)(q), and 15-6-143 in each county is revalued by January 1, 2008, effective  
13 for January 1, 2009, and each succeeding 6 years. The resulting valuation changes must be phased in for each  
14 year until the next reappraisal. If a percentage of change for each year is not established, then the percentage  
15 of phasein for each year is 16.66%."

16  
17       **Section 10.** Section 15-8-111, MCA, is amended to read:

18       **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be  
19 assessed at 100% of its market value except as otherwise provided.

20       (2) (a) Market value is the value at which property would change hands between a willing buyer and  
21 a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of  
22 relevant facts.

23       (b) If the department uses construction cost as one approximation of market value, the department shall  
24 fully consider reduction in value caused by depreciation, whether through physical depreciation, functional  
25 obsolescence, or economic obsolescence.

26       (c) If the department uses the capitalization of net income method as one approximation of market value  
27 and sufficient, relevant information on comparable sales and construction cost exists, the department shall rely  
28 upon the two methods that provide a similar market value as the better indicators of market value.

29       (d) Except as provided in subsection (3), the market value of special mobile equipment and agricultural  
30 tools, implements, and machinery is the average wholesale value shown in national appraisal guides and

1 manuals or the value before reconditioning and profit margin. The department shall prepare valuation schedules  
2 showing the average wholesale value when a national appraisal guide does not exist.

3 (3) The department may not adopt a lower or different standard of value from market value in making  
4 the official assessment and appraisal of the value of property, except:

5 (a) the wholesale value for agricultural implements and machinery is the average wholesale value  
6 category as shown in Guides 2000, Northwest Region Official Guide, published by the North American  
7 equipment dealers association, St. Louis, Missouri. If the guide or the average wholesale value category is  
8 unavailable, the department shall use a comparable publication or wholesale value category.

9 (b) for agricultural implements and machinery not listed in an official guide, the department shall prepare  
10 a supplemental manual in which the values reflect the same depreciation as those found in the official guide;  
11 and

12 (c) as otherwise authorized in Titles 15 and 61.

13 (4) For purposes of taxation, assessed value is the same as appraised value.

14 (5) The taxable value for all property is the percentage of market or assessed value established for each  
15 class of property.

16 (6) The assessed value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as  
17 follows:

18 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after  
19 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,  
20 15-23-516, 15-23-517, or 15-23-518.

21 (b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

22 (c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the  
23 lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as  
24 agricultural lands for tax purposes.

25 (d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value  
26 minus any portion of market value that is exempt from taxation under 15-6-201(1)(z) and ~~(1)(aa)~~.

27 (e) Properties in 15-6-138(1)(o) through (1)(q), under class eight, are assessed at the applicable  
28 percentage of market value minus any portion of market value that is exempt from taxation under  
29 15-6-201(1)(aa).

30 ~~(e)~~(f) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of

1 the land when valued as forest land.

2 ~~(f)~~(g) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula  
3 described in 15-23-205.

4 (7) Land and the improvements on the land are separately assessed when any of the following  
5 conditions occur:

6 (a) ownership of the improvements is different from ownership of the land;

7 (b) the taxpayer makes a written request; or

8 (c) the land is outside an incorporated city or town."  
9

10 **Section 11.** Section 15-8-301, MCA, is amended to read:

11 **"15-8-301. Statement -- what to contain.** (1) The department may require from a person a statement  
12 under oath setting forth specifically all the real and personal property owned by, in possession of, or under the  
13 control of the person at midnight on January 1. The statement must be in writing, showing separately:

14 (a) all property belonging to, claimed by, or in the possession or under the control or management of  
15 the person;

16 (b) all property belonging to, claimed by, or in the possession or under the control or management of  
17 any firm of which the person is a member;

18 (c) all property belonging to, claimed by, or in the possession or under the control or management of  
19 any corporation of which the person is president, secretary, cashier, or managing agent;

20 (d) the county in which the property is situated or in which the property is liable to taxation and, if liable  
21 to taxation in the county in which the statement is made, also the city, town, school district, road district, or other  
22 revenue districts in which the property is situated;

23 (e) an exact description of all lands, improvements, and personal property;

24 (f) all depots, shops, stations, buildings, and other structures erected on the space covered by the  
25 right-of-way and all other property owned by any person owning or operating any railroad within the county.

26 (2) The department shall notify the taxpayer in the statement for reporting personal property owned by  
27 a business or used in a business that the statement is for reporting business equipment and other business  
28 personal property described in Title 15, chapter 6, part 1. A taxpayer owning exempt business equipment is  
29 subject to limited reporting requirements; ~~however~~ However, all new businesses shall report their class eight  
30 personal property under 15-6-138 so that the department can determine the market value of the property. The

1 department shall by rule develop reporting requirements for business equipment to limit the annual reporting of  
2 exempt business equipment to the extent feasible.

3 (3) Whenever one member of a firm or one of the proper officers of a corporation has made a statement  
4 showing the property of the firm or corporation, another member of the firm or another officer is not required to  
5 include the property in that person's statement but the statement must show the name of the person or officer  
6 who made the statement in which the property is included.

7 (4) The fact that a statement is not required or that a person has not made a statement, under oath or  
8 otherwise, does not relieve the person's property from taxation."

9  
10 **Section 12.** Section 15-10-420, MCA, is amended to read:

11 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a  
12 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount  
13 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3  
14 years. The maximum number of mills that a governmental entity may impose is established by calculating the  
15 number of mills required to generate the amount of property tax actually assessed in the governmental unit in  
16 the prior year based on the current year taxable value, less the current year's value of newly taxable property,  
17 plus one-half of the average rate of inflation for the prior 3 years.

18 (b) A governmental entity that does not impose the maximum number of mills authorized under  
19 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between  
20 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill  
21 authority carried forward may be imposed in a subsequent tax year.

22 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate  
23 of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using  
24 the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

25 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional  
26 levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including  
27 newly taxable property.

28 (3) For purposes of this section, newly taxable property includes:

29 (a) annexation of real property and improvements into a taxing unit;

30 (b) construction, expansion, or remodeling of improvements;

1 (c) transfer of property into a taxing unit;

2 (d) subdivision of real property; and

3 (e) transfer of property from tax-exempt to taxable status.

4 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the  
5 release of taxable value from the incremental taxable value of a tax increment financing district because of:

6 (i) a change in the boundary of a tax increment financing district;

7 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

8 (iii) the termination of a tax increment financing district.

9 (b) For the purpose of subsection (3)(d), the subdivision of real property includes the first sale of real  
10 property that results in the property being taxable as class four property under 15-6-134, class eight real property  
11 under 15-6-138, or as nonagricultural land as described in 15-6-133(1)(c).

12 (c) For the purposes of this section, newly taxable property does not include an increase in appraised  
13 value of land that was previously valued at 75% of the value of improvements on the land, as provided in  
14 15-7-111(4) and (5), as those subsections applied on December 31, 2001.

15 (5) Subject to subsection (8), subsection (1)(a) does not apply to:

16 (a) school district levies established in Title 20; or

17 (b) the portion of a governmental entity's property tax levy for premium contributions for group benefits  
18 excluded under 2-9-212 or 2-18-703.

19 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes  
20 received under 15-6-131 and 15-6-132.

21 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity may  
22 increase the number of mills to account for a decrease in reimbursements.

23 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for  
24 purposes of 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, and 20-25-439. However, the number of mills  
25 calculated by the department may not exceed the mill levy limits established in those sections. The mill  
26 calculation must be established in whole mills. If the mill levy calculation does not result in a whole number of  
27 mills, then the calculation must be rounded up to the nearest whole mill.

28 (9) (a) The provisions of subsection (1) do not prevent or restrict:

29 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

30 (ii) a levy to repay taxes paid under protest as provided in 15-1-402; or

(iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326.

(b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.

(10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time.

(11) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable property in a governmental unit."

**Section 13.** Section 15-24-2403, MCA, is amended to read:

**"15-24-2403. Expanding industry taxable value decrease -- application -- approval -- reports. (1)**

After December 31, 1991, an existing industry with qualifying property that represents an expansion of the industry is entitled to receive a decrease in the tax rate for ~~class-eight~~ business equipment personal property under 15-6-138 if the property results in the hiring of full-time qualifying employees for each year in which the taxable value decrease is in effect.

(2) A person, firm, or other group seeking to qualify its business equipment personal property for the taxable value decrease under subsection (1) shall apply to the department of revenue on a form provided by the department. The application must include:

(a) the description of the business equipment personal property that may qualify for the taxable value decrease;

(b) the date on which the qualifying property is intended to be operational;

(c) the rate of pay and number of existing employees and new employees to be used in the operation of the qualifying property;

(d) a statement that the new employees are in addition to the existing workforce of the industry and the specific responsibilities of each new employee; and

(e) a statement that all the applicant's taxes are paid in full.

(3) The department shall make an initial determination as to whether the industry qualifies for the taxable value decrease.

(4) (a) If the department determines that the property qualifies for a taxable value decrease, the governing body of the affected county, consolidated government, incorporated city or town, or school district shall give due notice as defined in 76-15-103 and hold a public hearing. Each governing body may either approve or disapprove the grant of taxable value decrease. A governing body may not grant approval for the project until all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval.

(b) The resolution provided for in subsection (4)(a) must include the document that grants approval of the application that was submitted to the department by the taxpayer seeking the taxable value decrease.

(5) The tax reduction described in subsection (1) applies to:

(a) the number of mills levied and assessed by each governing body approving the benefit over which the governing body has sole discretion; and

(b) statewide levies if the governing body approving the tax reduction is a county, consolidated government, or incorporated city or town.

(6) The number of new employees used by the department to calculate the taxable value decrease in subsection (7) must be determined by the wages paid to qualifying employees. A qualifying employee paid the amount of the average wage as determined by the quarterly statistical report published by the department of labor and industry is considered one new employee. Qualifying employees are considered equivalent new employees if they are paid three-quarters of the average wage or more. The qualifying employee is the equivalent of a new employee in the same fraction that his wages are to the average wage, but a qualifying employee may not be considered more than two new employees.

(7) (a) Qualifying property is entitled to a decrease in the taxable rate of ~~class eight~~ business equipment personal property based upon a percentage difference between a possible low rate of ~~3%~~ 1% and a high rate of the existing ~~class eight~~ property tax rate under 15-6-138. The reduced taxable value rate is determined by calculating the inverse of the number of equivalent new employees divided by the number of existing employees and multiplying the product of that calculation by the decimal equivalent of the tax rate for class eight property.

(b) For each year that the taxable value decrease is in effect, the taxpayer shall report by March 1 to the department, on forms prescribed by the department, the wages of and the number of qualifying employees that are used in the operation of the qualifying property for which the taxable value decrease was granted."

**Section 14.** Section 15-24-3001, MCA, is amended to read:

**"15-24-3001. Electrical generation and transmission facility exemption -- definitions.** (1) (a) Except



1 as provided in subsections (1)(b) and (3), an electrical generation facility and related delivery facilities  
2 constructed in the state of Montana after May 5, 2001, and before January 1, 2006, may be exempt from  
3 property taxation for a 10-year period beginning on the date that an owner or operator of an electrical generation  
4 facility and related delivery facilities commences to construct the facility as defined in 75-20-104(6)(a) and (6)(b).  
5 In order to be exempt from property taxation, an owner and operator of an electrical generation facility and  
6 related delivery facilities shall offer contracts to sell 50% of that facility's net generating output at a cost-based  
7 rate, which includes a rate of return not to exceed 12%, to customers for a 20-year period from the date of the  
8 facility's completion.

9 (b) The property tax exemption allowed under subsection (1)(a) is limited to a 5-year period for  
10 generation facilities powered by oil or gas turbines.

11 (2) To the extent that 50% of the net generating output of the facility is not contracted for delivery to  
12 consumers for a contract term extending 5 years to 20 years from the completion of the facility, as determined  
13 by the owner, surplus capacity must be offered on a declining contract term basis for the remainder of the  
14 contract period at a cost-based rate that includes a rate of return not to exceed 12%. Surplus capacity that is not  
15 contracted for in this fashion may be sold at market rates.

16 (3) (a) Except as provided in subsection (3)(c), if an owner or operator of property exempt from taxation  
17 under subsection (1)(a) signs a contract to sell power as required in subsection (1) and then fails to perform the  
18 contract during the first 10-year period, the 10-year property tax exemption in subsection (1) is void and the  
19 property is subject to a rollback tax as provided in 15-24-3002.

20 (b) Except as provided in subsection (3)(c), if an owner or operator of property exempt from taxation  
21 under subsection (1)(b) signs a contract to sell power as required in subsection (1) and then fails to perform the  
22 contract during the first 5-year period, the 5-year property tax exemption in subsection (1) is void and the  
23 property is subject to a rollback tax as provided in 15-24-3002.

24 (c) If an owner or operator fails to perform the contract due to earthquakes or other acts of God, theft,  
25 sabotage, acts of war, other social instabilities, or equipment failure, the property tax exemption in subsection  
26 (1)(a) or (1)(b) is not void and the owner or operator is not subject to the rollback tax as provided in 15-24-3002.

27 (4) For the purposes of this section, the following definitions apply:

28 (a) (i) "Electrical generation facility" means any combination of a physically connected generator or  
29 generators, associated prime movers, and other associated property, including appurtenant land and  
30 improvements and personal property, that are normally operated together to produce 20 average megawatts

1 or more of electric power. The term is limited to generating facilities that produce electricity from coal-fired steam  
2 turbines, oil or gas turbines, or turbine generators that are driven by falling water.

3 (ii) The term does not include:

4 (A) electrical generation facilities used for noncommercial purposes or exclusively for agricultural  
5 purposes; or

6 (B) a qualifying small power production facility, as that term is defined in 16 U.S.C. 796(17), that is  
7 owned and operated by a person not primarily engaged in the generation or sale of electricity other than electric  
8 power from a small power production facility and that is classified under ~~15-6-134~~ and 15-6-138.

9 (b) "Related delivery facilities" means transmission facilities necessary to deliver the energy from the  
10 electrical generation facility to the existing network transmission system.

11 (c) "Surplus capacity" means that portion of the 50% of net generating output not contracted for use.

12 (5) The department shall appraise exempt electrical generation facilities for each year that the property  
13 is exempt and determine the taxable value of the property as if it were subject to property taxation. The taxable  
14 value determined by the department must be included as taxable valuation for the purposes of county  
15 classification under 7-1-2111."

16  
17 **Section 15.** Section 27, Chapter 285, Laws of 1999, is amended to read:

18 **"Section 27. Repealer.** ~~(4)~~ Sections 15-6-136, 15-24-901, 15-24-920, 15-24-926, 15-24-927, and  
19 15-24-931, MCA, are repealed.

20 ~~(2) Section 15-6-138, MCA, is repealed."~~

21  
22 **Section 16.** Section 31, Chapter 285, Laws of 1999, is amended to read:

23 **"Section 31. Effective dates.** (1) [Sections 1, 11, 12, 15, 22, 26, 28 through 30, and 32 and this section]  
24 are effective on passage and approval.

25 (2) [Sections 3 through 9 and 23] are effective July 1, 2000.

26 (3) [Sections 2, 10, 13, 14, 16 through 21, 24, 25, and 27(1)] are effective January 1, 2003.

27 ~~(4) [Sections 13(1)(aa) through (1)(ll) and 27(2)] are effective if the tax rate in [section 12], amending~~  
28 ~~15-6-138, reaches zero."~~

29  
30 **Section 17.** Section 5, Chapter 577, Laws of 2003, is amended to read:

**"Section 5.** Section 31, Chapter 285, Laws of 1999, is amended to read:

**"Section 31. Effective dates.** (1) [Sections 1, 11, 12, 15, 22, 26, 28 through 30, and 32 and this section] are effective on passage and approval.

(2) [Sections 3 through 9 and 23] are effective July 1, 2000.

(3) [Sections 2, 10, 13, 14, 16 through 21, 24, 25, and 27(1)] are effective January 1, 2003.

(4) ~~[Sections 13(1)(aa) through (1)(ll) and 27(2)]~~ are [Section 27(2)] is effective if the tax rate in [section 42], amending 15-6-138, reaches zero."

**NEW SECTION.** **Section 18. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply to [section 1].

**NEW SECTION.** **Section 19. Applicability.** [This act] applies to tax years beginning after December 31, 2005.

- END -